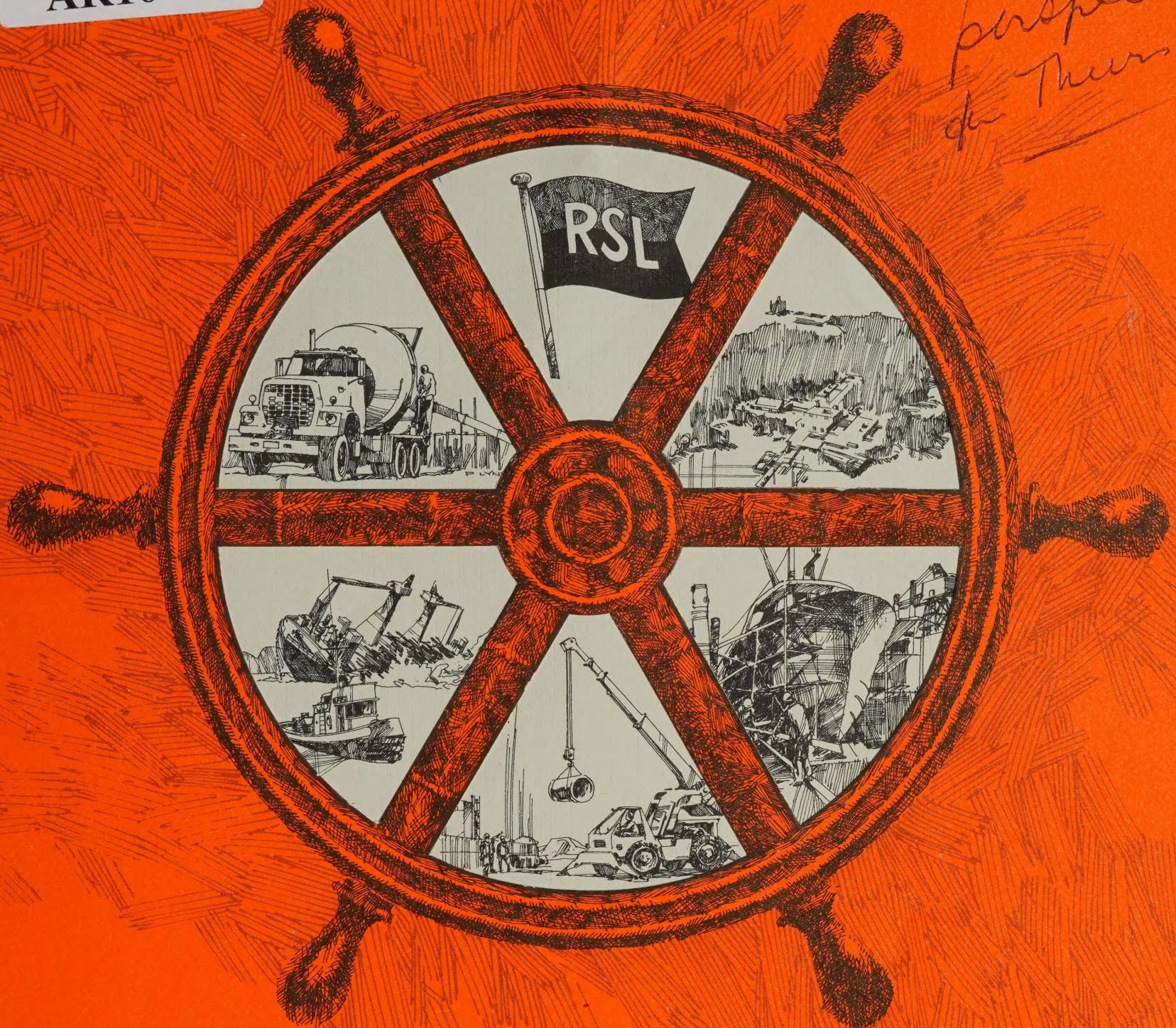
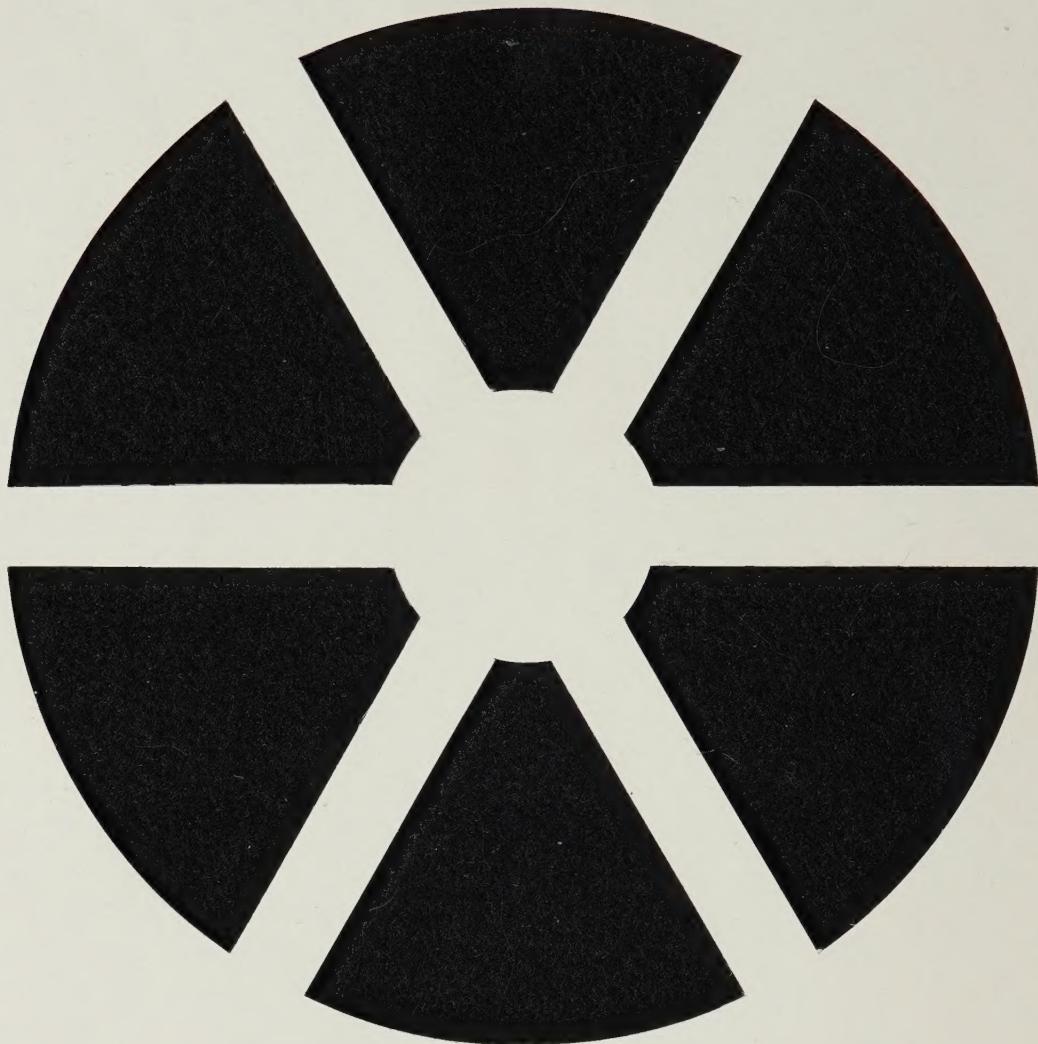


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Contents

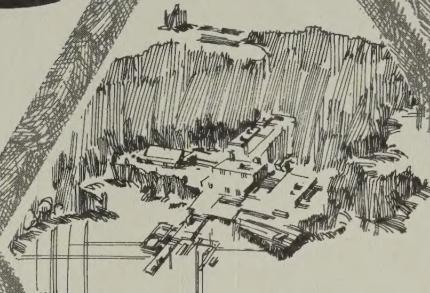
- 1 Directors and Officers.
- 2 Historical Financial Highlights.
- 3 Directors' Report to the Members.

- Report of Operating Divisions.
 - 5 — Industrial Supply and Sales
 - 6 — Aggregates and Ready-Mix
 - 7 — Marine Construction and Service
 - 8 — Marine Transportation
 - 9 — Real Estate
- 10 Consolidated Balance Sheet.
- 11 Auditors' Report.
- 12 Consolidated Statement of Income and Retained Earnings.
- 13 Consolidated Statement of Changes in Financial Position.
- 14 Notes to Consolidated Financial Statement.

RivTow Straits Limited

Aggregates and Ready-Mix

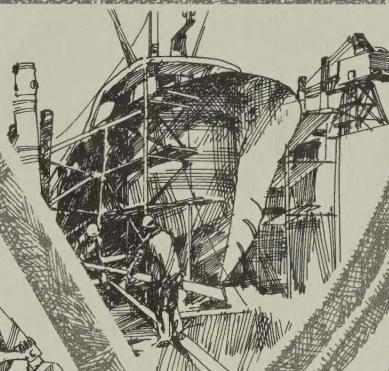
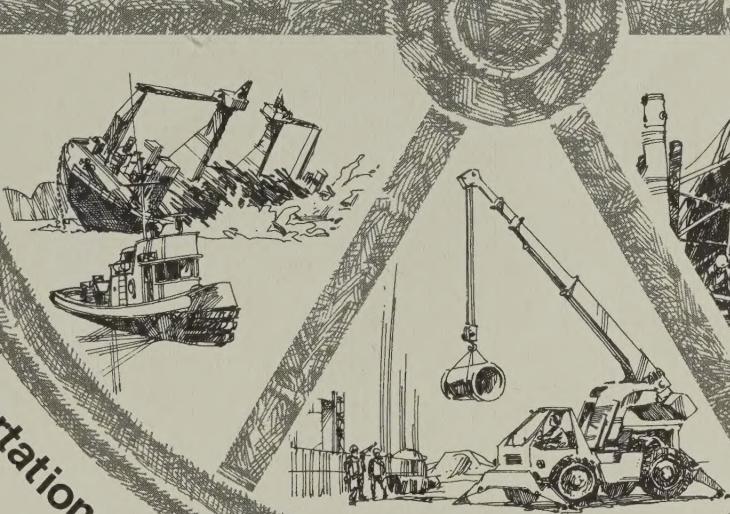
Real Estate



Marine Transportation

Marine Construction & Service

Industrial Supply and Sales



Directors:

Arthur B. Christopher,
President,
Montrose Developments Ltd.

*Ronald L. Cliff,
Chairman,
Inland Natural Gas Co. Ltd.

*Cecil S. Cosulich,
President and
Chief Executive Officer,
RivTow Straits Limited.

Norman R. Cosulich,
Vice-President,
RivTow Straits Limited.

*Harold M. Gale,
Director,
National Trust Company Limited.

Lucille M. Johnstone,
Vice-President,
RivTow Straits Limited.

George B. McKeen,
President,
McKeen & Wilson Ltd.

John Pearson,
Partner,
Davis & Company.

*Member Audit Committee.

Executive Officers:

Cecil S. Cosulich,
President and
Chief Executive Officer.

Norman R. Cosulich,
Vice-President -
Operations.

Lucille M. Johnstone,
Vice President -
Administration and
Secretary.

Head Office:

2215 Commissioner Street,
Vancouver, B.C., Canada
V5L 1A8
Telephone: 604-255-1133
Telex: 045-5394

Bankers:

Royal Bank of Canada
Canadian Imperial Bank
of Commerce
Bank of Montreal

Auditors:

Thorne Riddell & Co.

Stock Listing:

Vancouver Stock Exchange

Transfer Agent & Registrar:

National Trust Company
Limited,
Vancouver, Canada.

Annual General Meeting:

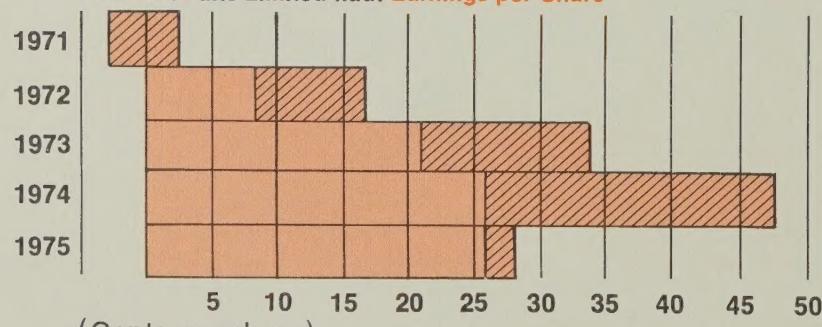
1990 Kent St., Vancouver, B.C.
June 14th, 1976
9:00 a.m. Vancouver Time

Historical Financial Highlights

(In Thousands of Dollars)

	1975	1974			
Gross Revenue from Operations					
Industrial Supply and Service	\$11,607	\$ —			
Marine Construction and Servicing	12,643	10,766			
Marine Transportation	24,056	26,407			
Aggregates and Ready-Mix	5,617	3,978			
	<u>53,923</u>	<u>41,151</u>			
Less: Inter Company Transactions	<u>6,234</u>	<u>5,554</u>	1973	1972	1971
	<u><u>\$47,689</u></u>	<u><u>\$35,597</u></u>	<u><u>\$28,305</u></u>	<u><u>\$17,989</u></u>	<u><u>\$15,765</u></u>
Income Before Extraordinary Items	\$ 624	\$ 523	\$ 415	\$ 173	\$ 33
Per Common Share Outstanding	\$.26	\$.26	\$.21	\$.085	\$.01
Extraordinary Gains (Loss)	\$ 46	\$ 412	\$ 262	\$ 169	\$ (57)
Per Common Share Outstanding	\$.02	\$.21	\$.13	\$.085	\$ (.02)
Total Net Earnings (Loss)	\$ 670	\$ 935	\$ 677	\$ 342	\$ (24)
Per Common Share Outstanding	\$.28	\$.47	\$.34	\$.17	\$ (.01)
Vessels, Property, Plant and Equipment					
Cost of Additions	\$ 3,916	\$ 3,325	\$ 3,788	\$ 1,940	\$ 1,416
Proceeds of Disposition	\$ 1,328	\$ 236	\$ 443	\$ 1,048	\$ 964
Long-term Debt	\$15,205	\$14,995	\$ 5,711	\$ 6,455	\$ 7,958
Basic Cash Flow	\$ 2,611	\$ 2,562	\$ 2,448	\$ 1,531	\$ 1,311

RivTow Straits Limited had: **Earnings per Share**



Extraordinary Items

Before Extraordinary Items



Directors' Report to the Members:

Five fiscal years have been completed since RivTow Straits Limited was formed by the amalgamation of Straits Towing Limited and RivTow Marine Ltd.; the new Company has become a very different RivTow Straits Limited since 1970.

At the outset of its creation, the Company was 89% dependent on services to the forest industry and, as such, was highly vulnerable to the cyclical fluctuations of that industry, and operated almost completely within British Columbia.

By pursuing a policy of diversification, the Company has gradually reduced its dependency on the forest industry so that in a normal year the reliance will be less than 50%; with the balance of operating revenues earned from marine transportation of freight, gravel and aggregate, the production and sale of ready-mix, construction and repair of vessels, supply and sale of industrial equipment, as well as operation of marine oriented freight terminals. The geographical areas of activity have also been changed beyond British Columbia and include Alberta, the Northwest Territories and the Arctic, as well as foreign markets for sale of vessels, manufactured components and aggregates.

The following table illustrates how the above noted diversification has changed the sources of revenue:

Revenue Source	1971	1975		
	\$M	%	\$M	%
Marine				
Forest Industry	\$14,030	89	\$16,870	31
Freight and Other	788	5	7,186	13
Shipyards	790	5	12,643	24
Aggregates	157	1	5,617	10
Industrial	0	0	11,607	22
	<u>\$15,765</u>	<u>100</u>	<u>\$53,923</u>	<u>100</u>

1975 was a severely depressed year in British Columbia. The B.C. downturn, which started to take effect in late 1974, became a severe recession during 1975 for industry in general and the forest industry in particular. The Company's tugs and vessels had a low utilization, resulting in the Marine Divisions suffering losses which detracted from the earnings derived from other operations. These losses were further increased by the three month pulp and paper strike. However, your Company weathered the storm. The reduced reliance on the forest industry, the placement of the 3800 h.p. tug "Gibraltar Straits" on charter overseas, and the decision in early 1975 to reduce administration costs during the recession, all enabled the Company to emerge with a modest overall profit on a substantially reduced volume of business normally derived from the forest industry (1974 - \$20,849,000; 1975 - \$16,870,000).

Special projects completed in 1975 included a contract for the Dillingham Corporation for approximately 45,000 yards of Ready-Mix and 180,000 tons of gravel for the National Harbours Board Terminal at Prince Rupert; the Marine Construction Divisions completed a \$3.5MM work barge for the Beaufort Sea as well as two Breaux Baycraft aluminum vessels for B.C. coastal waters, two ship-docking tugs and several seiners. The Industrial equipment branches in Alberta were particularly active.

RivTow Straits Limited had: Net Earnings



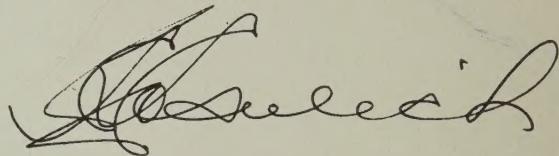
1976 is underway with an optimistic atmosphere in all Divisions. The "Gibraltar Straits" charter continues in the North Sea and the vessels in British Columbia have busy schedules indicated. The modernization of the plant at Sechelt Aggregates operation is completed and is now capable of producing 1,000,000 tons per annum on a single shift basis; markets for production from this plant include the Greater Vancouver area, Prince Rupert and Alaska.

Our joint venture, Arcnav Marine Limited (formerly Arctic Navigation & Transportation Ltd.) does not predict full activity in 1976. The delays imposed on the oil companies in obtaining approval of the Federal Government to continue offshore drilling has reduced activity in the Mackenzie Delta and Beaufort Sea area; accordingly, the 1976 requirements for the services of marine transportation is questionable. Our equipment is fortunately committed to mid-season at this time.

Planning for the immediate future includes the consolidation of the Vancouver Offices for more efficient administration, re-location of the Rupert Cement Products operation, which is necessitated by the enlarged grain elevator operation in Prince Rupert, and re-location of the Westbank Ready-Mix plant to cope with the increased volume of business. The Real Estate Department is concentrating on the development of two specific areas of owned property—one on the Lower Mainland which will ultimately be 80 acres of industrial property with deep sea capability and the second, the utilization of approximately 300 acres of Howe Sound property for rural recreational development.

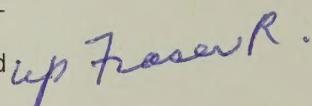
We are pleased that the Union Agreements for Marine personnel have been renewed without work stoppages, and are hopeful that 1976 will not be disrupted by any other lengthy strikes in any of the Company's subsidiaries. It is noted that there should be no strikes in the pulp and paper unions or under the International Woodworkers Association, as those agreements were settled in 1975 for a two year period. The fact that the Company managed to remain profitable during the adverse conditions as prevailed during 1975 is, in large measure, attributable to the diligent work and dedication of your Company's employees. On behalf of the Board of Directors, I wish to express our sincere appreciation of their efforts.

On behalf of the Board,

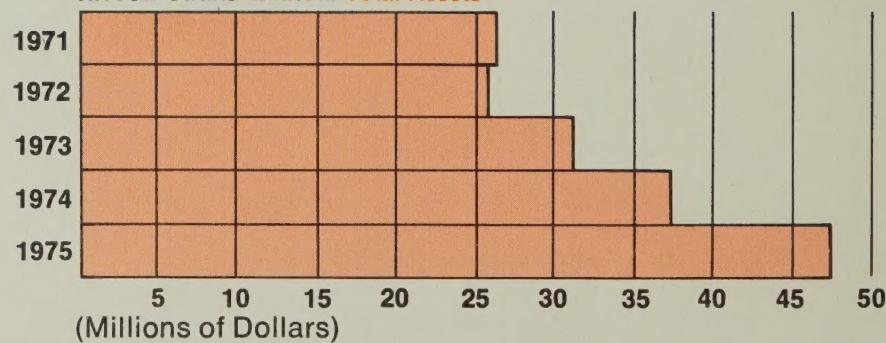


C. S. Cosulich
Director, President and
Chief Executive Officer

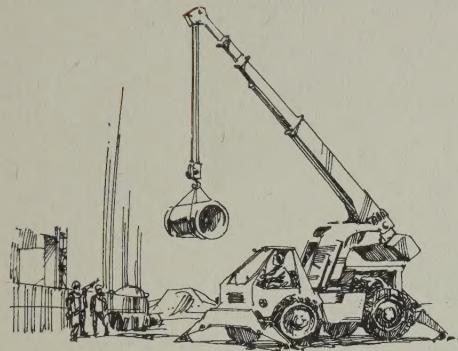
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RivTow Straits Limited: Total Assets



Report of Operating Divisions



Industrial Supplies and Sales

December 31st, 1975 was the completion of a good year. Aside from 1975 being the first full year of Purves Ritchie Limited being a division of RivTow Straits Limited, it was also the first time in the history of the division that it averaged \$1,000,000 a month in gross revenue.

Through planning and making adjustments throughout the year, the division was able to come through the turmoil of the inflation that occurred during 1975 and the unstable economic conditions created by the world-wide recession and the substantial increases given to our employees for wages and benefits. Recently, there has been a noticeable slowdown in price increases from the manufacturers represented, which is encouraging.



Challenge-Cook Boost-A-Load specially designed to meet provincial road length limitations

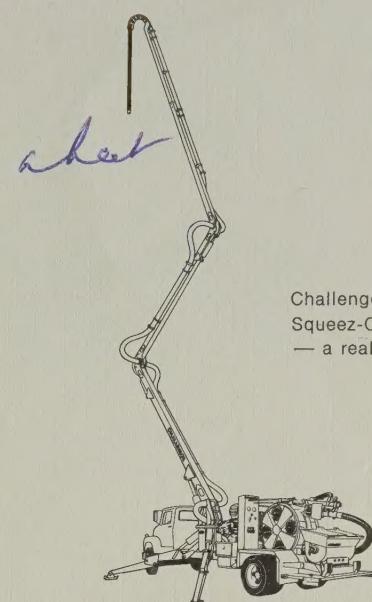
In British Columbia, the Vancouver branch showed a good improvement over estimates, which can be attributed to tighter control. Nanaimo completed an excellent year, with this branch becoming established as a general equipment sales outlet as well as a wholesale outlet.



Top of the line Pioneer P50 Chain Saw

In Alberta, with the economy at a very high level, both branches in Edmonton and Calgary performed extremely well.

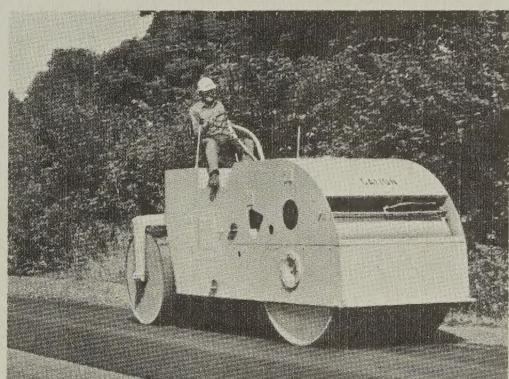
During 1975 the division also was successful in obtaining and maintaining the various products that it sells and the manufacturers represented. The division was successful in obtaining the distribution of the Gorman Rupp Dewatering Pump for the province of Alberta. This is the number one pump product in the North American continent; the Mayco small concrete pump line and the introduction of the new Challenge-Cook Titan Piston Pump; Galion continues to be a well engineered and most acceptable product and the division has set an objective to obtain an even greater portion of this market; Háp, a truck mounted crane (in the 3 to 5½ ton range) is a new introduction which should gain acceptance during 1976.



Challenge-Cook
Squeez-Crete rotary pump
— a real timesaver



Highly successful
Galion mobile crane



Galion tandem roller

Outboard Marine - Pioneer Division has given every indication that with the introduction of the new models and complete new price structure on chain saws, that considerable penetration into the existing market will be accomplished. During 1975, penetration by this division of the existing market was increased and the trend should continue. 1975 was the last production year of O.M.C. snowmobiles.

There is every reason to believe that 1976 will be a profitable year, with Alberta's economy continuing at a high level and the British Columbia economy moving into a better position as the forest industry picks up. In anticipation of the continued progress in Alberta, the division is completing the purchase of additional facilities in Edmonton for the opening of a second branch in the north side of the city promoting mainly rentals. The south Edmonton branch will continue handling equipment and rentals. Continued growth in rentals is also anticipated in Calgary.

*Cranes, pumps
etc.
related to
concrete & aggregate
users.
has Pioneer
chain saws
ben Otto John
Guruvali all boards
deeler a wheel
area*



Aggregates and Ready-Mix

Operating under the names of PACIFIC RIM READY-MIX LTD. (formerly Westbank Ready-Mix Ltd., Rupert Cement Products (1965) Ltd., and Nelson Ready-Mix Ltd.), PACIFIC RIM AGGREGATES and SECHELT SAND & GRAVEL LTD., this Division operates and services the areas of Prince Rupert, Kelowna (Westbank and Winfield) and Nelson for the supply of aggregates and ready-mix, and the Lower Mainland of British Columbia, for the supply of aggregates. This Division had an extremely busy year, the Sechelt gravel operation has been undergoing a plant upgrading at an estimated cost of \$1,500,000 which is expected to increase the capacity of the plant from 150 tons an hour to 600 tons an hour of fine construction aggregates and sands. This plant is now in operation. Further capital expenditures were made in Prince Rupert, Westbank and in Nelson, encompassing both normal plant retirements; and a substantial plant upgrading and reconsolidation at Nelson. Rupert Cement Products Division was very busy in completing its contract to supply 45,000 cubic yards of high strength concrete for the Fairview project in Prince Rupert and other gravel requirements. Close coordination of the activities of the RivTow marine operations and Rupert Cement Products ensured a very successful completion of this joint venture project.

Westbank operation maintained the same level of activity during 1975 as occurred during 1974. Westbank Ready-Mix locates its operation on leased property and has plans underway for the relocation of their operations on Company-owned land.

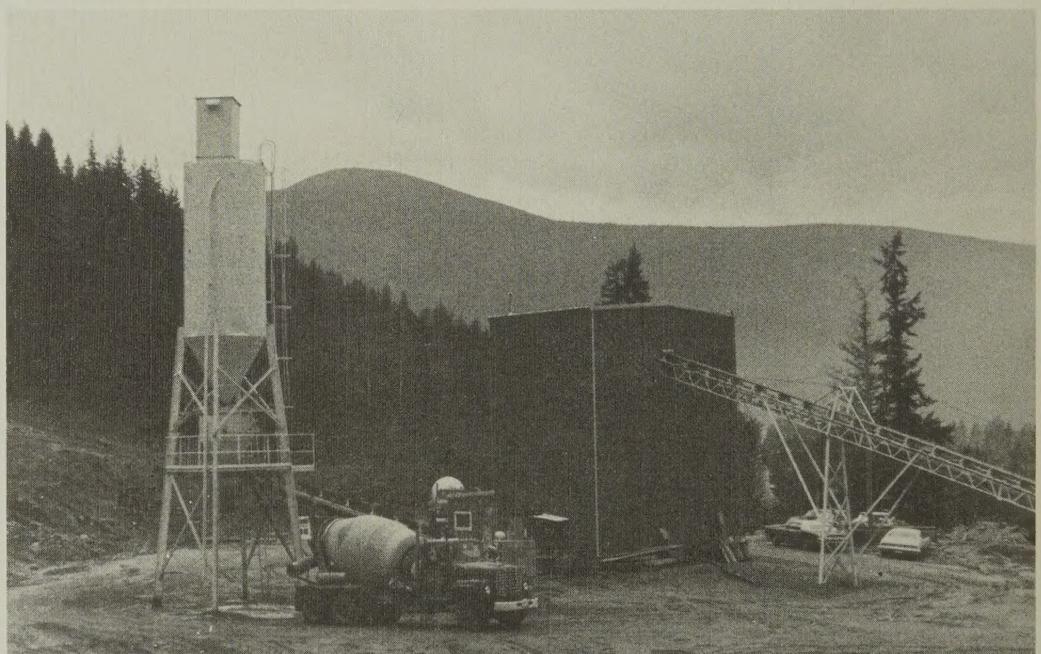
Nelson Ready-Mix experienced slower sales during 1975, owing to the generally depressed economic picture of that area of the Province and curtailment of Government contracts that had been scheduled.

Nelson Ready-Mix traded land with the City of Nelson and consolidated its ready-mix and gravel operations on to one site, which will ensure considerable operating efficiencies and savings for 1976 and the future.

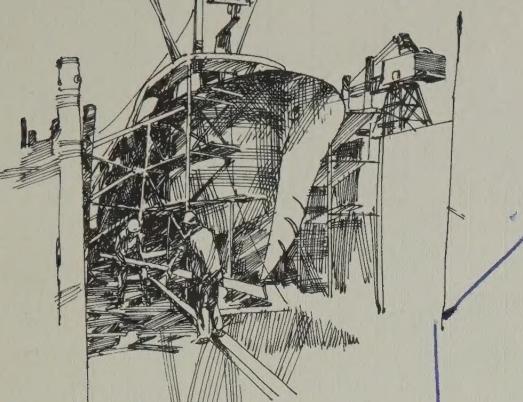
*ready-mix
& aggregates*



\$1,500,000 plant upgrading underway at SECHELT



Upgraded Ready Mix batch plant at Nelson, B.C.



Marine Construction and Service

The Marine Construction and Service Division embraces the operations of **WEST COAST SALVAGE & CONTRACTING CO. LIMITED**, **JOHN MANLY LTD.**, and **B.C. MARINE SHIPBUILDERS LTD.**, which entities are being amalgamated into a single corporation. The Divisions engaged in new vessel construction, ship repair and manufacture of ship components and a ship brokerage service.

During 1975, the shipyards were very active. B.C. Marine completed the "Ballantyne Straits", a 1350 horsepower tug, for the use of the Marine Division. A \$3.5MM work barge was built for Canmar Drilling; this barge was built in Vancouver in sections, trucked and assembled at Hay River. The time commitment on this contract was slightly over three months—delivery was accomplished on schedule—and a bonus earned from our customer. B.C. Marine also had a busy year on conversions and maintaining the RivTow marine fleet. B.C. Marine's forging and deep sea ship repairing operations did not improve significantly; however in 1976, growth is already apparent in these areas.

John Manly Division sustained a temporary third quarter lag in new contracts, but subsequently completed two 70 ft. seiners of the design the yard has previously produced. These have gained favourable acceptance in the fishing industry of British Columbia, and are recognized as being very stable and seaworthy. A 78 ft. aluminum passenger vessel for use at Kemano by Alcan Aluminum, two ship-docking tugs and several smaller craft were also completed. At the year end, John Manly had a full order book. The construction of components such as ship's doors, windows and hatches declined in keeping with the decline of shipbuilding in general, where these sales are made. An increased marketing effort and revised production technique is expected to increase the potential of this source of revenue. Orders are on hand for eastern Canada and the United States. The propeller and Kort nozzle production division were disappointing in their contribution to the division's gross and net profits; some of the shortfall is attributable to the disruption arising from the request by the City of Vancouver for relocation of the facilities.

West Coast Salvage yard produced 22 new boats, compared with 119 in the previous year. The inactivity of the forest industry not only greatly affected the new boat sales, but also the areas of ship repair, part sales and charters. This Division has relied heavily on the forest industry as customers for its small boat production. Marketing is slanted at more diversification.

The Division also moved into new premises, with larger production capability, incurring a higher fixed overhead cost.

The new capability was not utilized fully in 1975, but the number of enquiries and requests for quotations received during the last two months of 1975 indicated an upswing in business for 1976, which is subsequently being proven out. The West Coast Salvage yard is located adjacent to the John Manly yard and benefits are already accruing owing to the ability to utilize manpower and equipment on a joint venture basis.

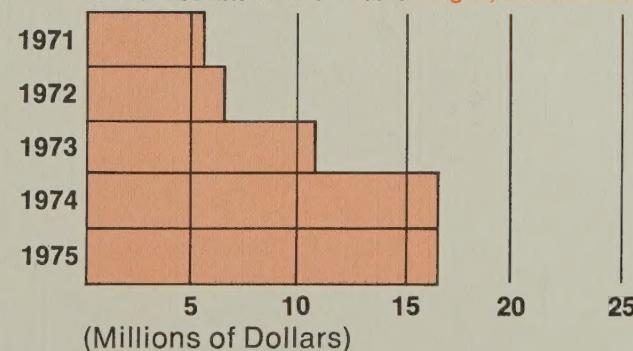


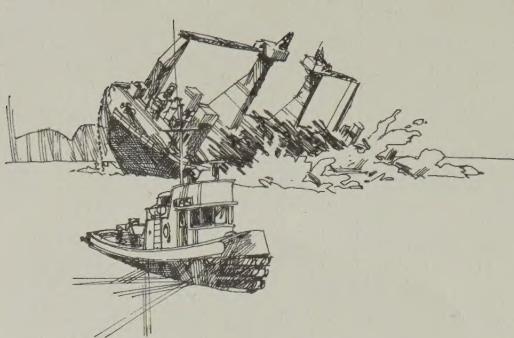
Kort Nozzle Production



Built by John Manly - Fast Delivery - Excellent Quality

RivTow Straits Limited Paid: Wages, Salaries and Employee Benefits





Marine Transportation

The Marine Transportation Division operates in British Columbia with a total of 87 tugs, 112 barges and 78 sundry specialty vessels. These units are principally engaged in the transportation of bulk products such as wood chips, petroleum products, logs, gravel and aggregate products and packaged freight, primarily to RSL freight terminals. The Division also provides shipdocking services in a number of ports in British Columbia and operates some of the largest log sorting grounds in the Province.

Generally, for the Marine Transportation Division, 1975 was an unprofitable and depressing year.

On the positive side, this Division benefited greatly from the diversification into gravel production, enabling utilization of its equipment to move gravel products from Sechelt to the Vancouver market and from Company-owned leases in the Prince Rupert area to the Fairview dock project and supplying of general needs of the Prince Rupert area.

The Log Sorting Division, which relies heavily on the forest industry, was shut down briefly, but was able to carry on work through most of the year owing to the fact that the International Woodworkers of America did not participate in the forest industry strike that shut down the pulp industry for a large part of the year. The scheduled freight service that this Division operates again suffered a loss but made significant inroads in acquiring a larger portion of the available market. This enabled the Division to obtain some increased utilization of its equipment. 1975 was also a poor year for movements of logs on the Division's log barges, with only the two larger barges being reasonably well utilized. Fortunately, the Company made the decision early in 1975 to re-assign its flagship, the "Gibraltar Straits", on overseas charter, owing to the lack of available work in British Columbia waters.

Under
utilized -
have scope
for future
needs?

Generally, for 1976, there is an air of optimism for increased utilization and profitability of this Division. This is being supported by the evidence of a number of logging camps being re-opened for operations early in 1976.

ARCNAV MARINE LIMITED (formerly ARCTIC NAVIGATION & TRANSPORTATION LIMITED) did not have a good year owing to a lack of decision on the Mackenzie Valley pipeline and certain ecological restrictions over the operations by the oil companies in the Beaufort Sea. Until these matters are cleared up, it would appear that 1976 looks equally grim, and the Company has taken steps to minimize possible losses in this area.

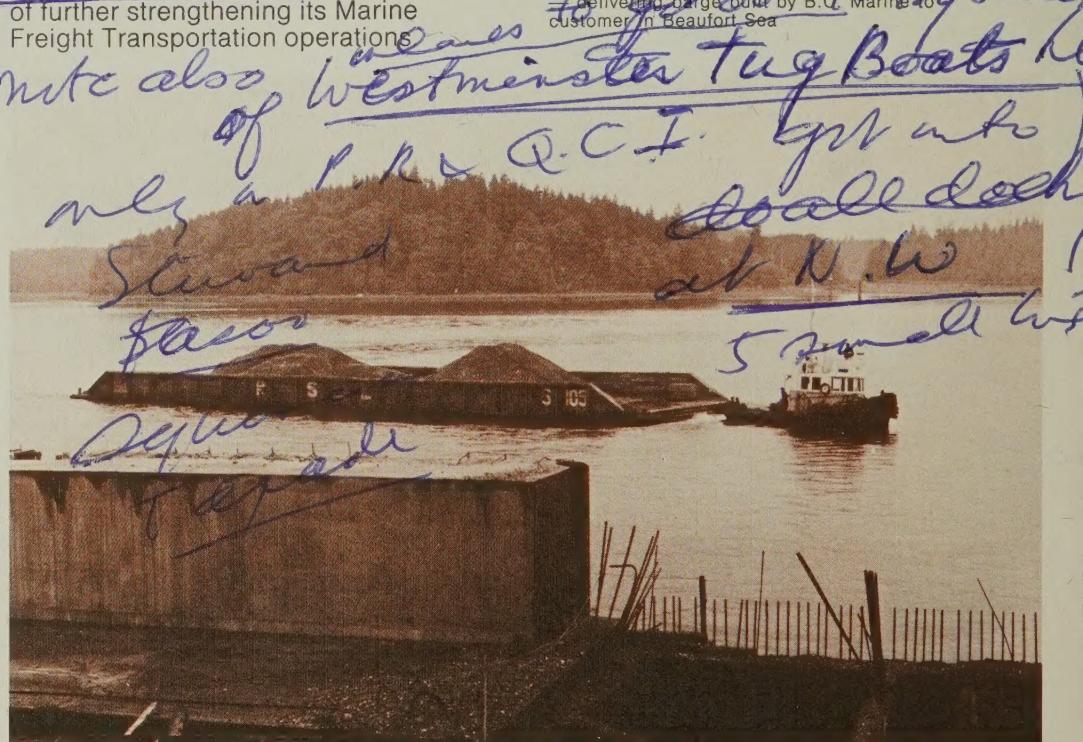
During the year, the Division experienced some further economies which were achieved by integration of the equipment owned by companies acquired, and the ability to move such equipment around to achieve optimum efficiency. The Company also acquired the remaining 50% ownership of BUTE TOWING LIMITED as a means of further strengthening its Marine Freight Transportation operations.



Mining for gravel in the Prince Rupert area

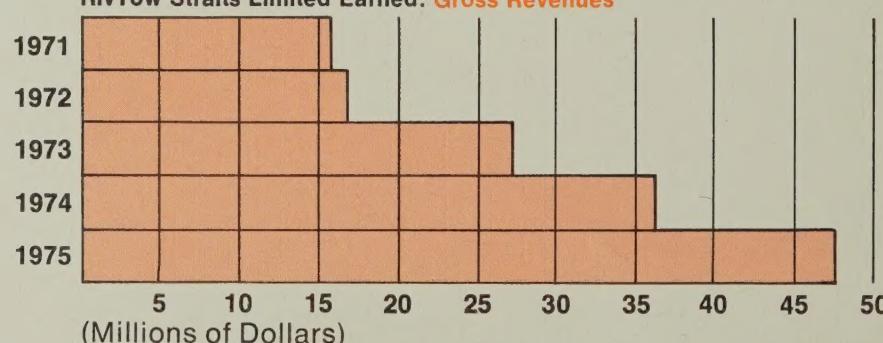


ARCNAV MARINE working on the MACKENZIE RIVER
delivering barge built by B.C. Marine to
customer in Beaufort Sea



Gravel barge arriving at Fairview Terminal - Prince Rupert
Concrete caissons poured by Rupert Cement

BivTow Straits Limited Earned: Gross Revenues

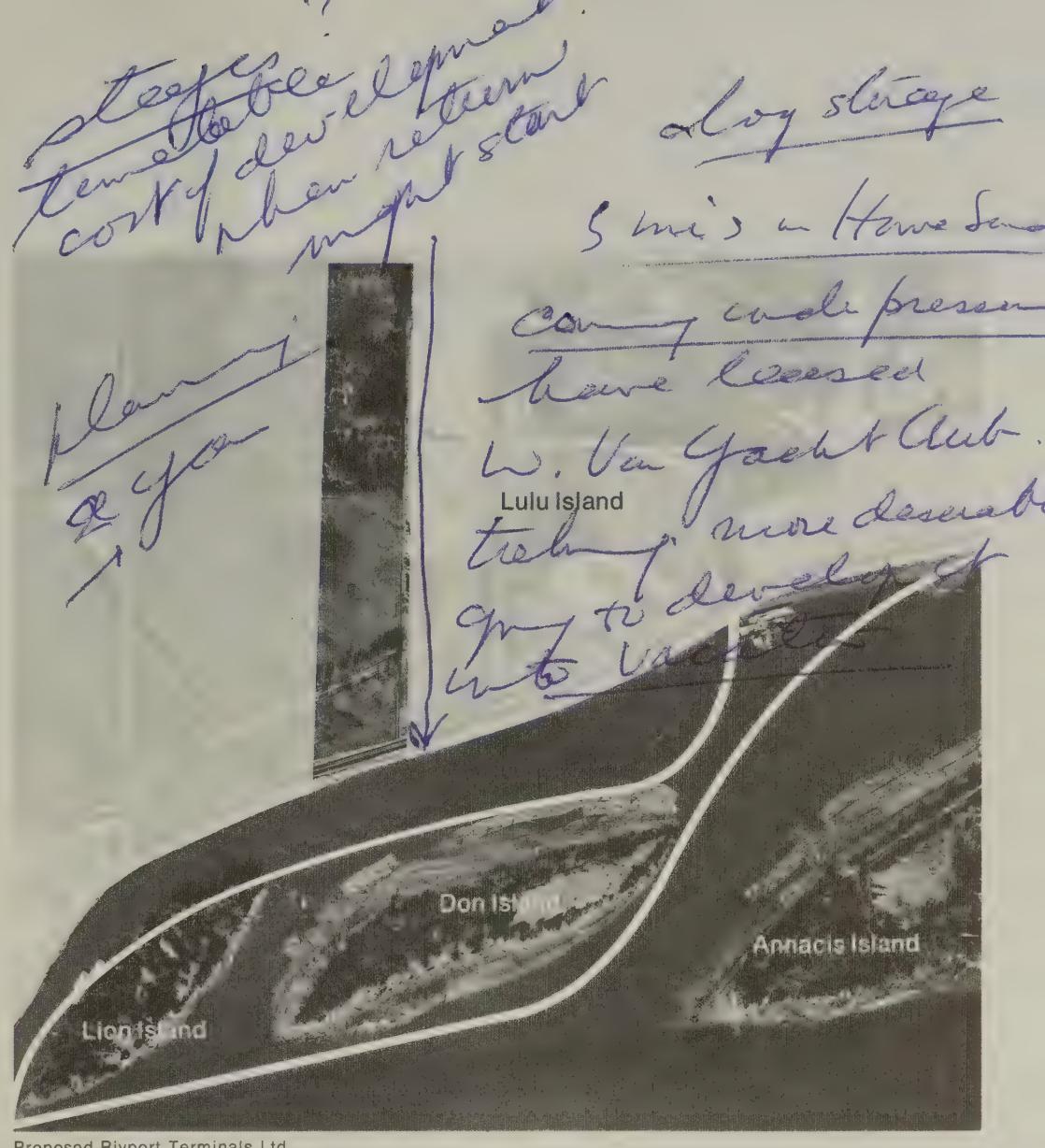




Real Estate

The Real Estate Division was created in 1974 to manage the owned and leased property amounting to some 4000 acres of land, including waterfrontage that the Company utilizes. The purpose was two-fold; firstly, to centrally control the costs and expenses incurred for the real estate and levy an appropriate charge to the Company operating its divisions and establish a realistic price for the use of such facilities; and secondly, to separate out such properties that are not necessary for the Company's operations and develop such properties to provide increased returns. During 1975, the clerical and accounting systems were established and the Company is proceeding now to review the types of development that can be obtained, including its property located on Gambier Island, at Avalon in Howe Sound, and its properties on the Fraser River.

Certain properties are also in the process of being acquired—a site for the relocation of the Rupert Cement Products in Prince Rupert and the relocation of Westbank Ready-Mix.



Proposed Rivport Terminals Ltd.



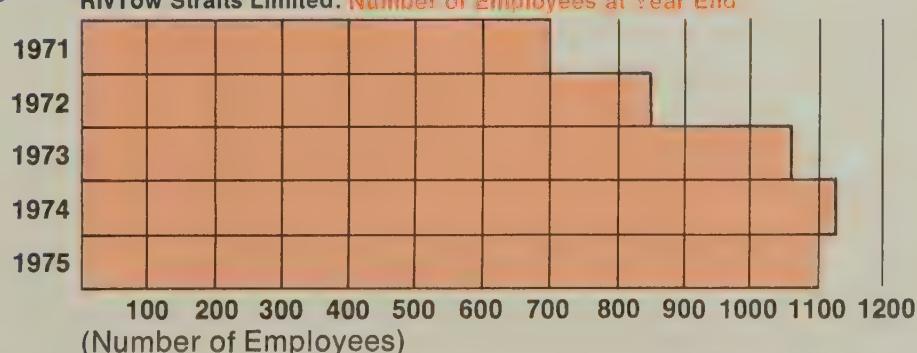
R.S.L. waterfront property leased for farming (approx. 200 acres)



Barnston Farm

own 50% of
to get base
because VR would
be too expensive
on threshold of 1st phase
take some; some leased
coastal since centre
110 - acres

RivTow Straits Limited: Number of Employees at Year End



Consolidated Balance Sheet

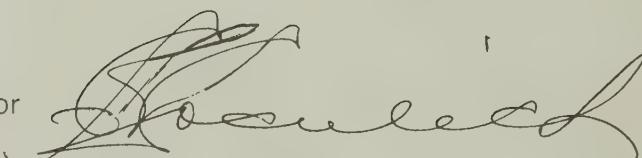
as at December 31, 1975

Assets

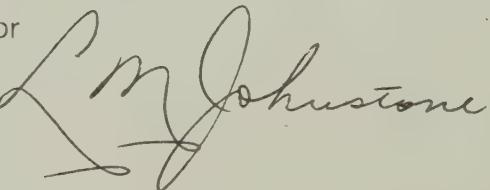
	1975	1974
Current assets		(Note 2)
Cash and short-term deposits	\$ 1,937,000	\$ 31,000
Accounts receivable	6,729,000	7,043,000
Inventories (note 4)	5,426,000	1,425,000
Prepaid expenses	287,000	207,000
	<u>14,379,000</u>	<u>8,706,000</u>
Investments and non-current receivables		
Long-term investments (note 5)	641,000	815,000
Other advances, notes and mortgages receivable, net of current portion	381,000	373,000
	<u>1,022,000</u>	<u>1,188,000</u>
Fixed assets (note 6)		
Vessels, plant and equipment	31,838,000	27,596,000
Less accumulated depreciation	7,565,000	6,035,000
	<u>24,273,000</u>	<u>21,561,000</u>
Gravel rights	592,000	612,000
Construction in progress	1,753,000	1,055,000
Land and foreshore leasehold rights	5,353,000	4,689,000
	<u>31,971,000</u>	<u>27,917,000</u>
Deferred charges (note 7)	308,000	248,000
	<u>\$47,680,000</u>	<u>\$38,059,000</u>

Approved by the Board

Director



Director



Liabilities

Current liabilities

	1975	1974
Bank advances, secured by assignment of book debts and inventories	\$ 4,046,000	\$ 1,163,000
Accounts payable and accrued liabilities	7,897,000	5,648,000
Income taxes payable	380,000	52,000
Deferred income taxes	238,000	—
Principal instalments due within one year on long-term debt	1,702,000	1,208,000
	<u>14,263,000</u>	<u>8,071,000</u>
Long-term debt (notes 8 and 10)	<u>15,205,000</u>	<u>14,995,000</u>
Deferred income taxes	<u>2,310,000</u>	<u>1,321,000</u>

Members' Equity

Share capital (note 3)

Authorized		
3,000,000 Common shares without par value		
Issued		
2,390,000 Common shares (1974 — 2,000,000)	3,560,000	2,000,000
Contributed surplus		
Premium on issue of common shares	10,000,000	10,000,000
Retained earnings		
	2,342,000	1,672,000
	<u>15,902,000</u>	<u>13,672,000</u>
	<u>\$47,680,000</u>	<u>\$38,059,000</u>

Commitments and contingent liabilities (note 13)

Subsequent event (note 10)

Auditors' Report

To the Members of
RivTow Straits Limited

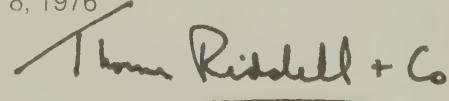
We have examined the consolidated balance sheet of RivTow Straits Limited and its subsidiary companies as at December 31, 1975 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other

supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who examined the financial statements of a company accounted for on the equity basis.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally

accepted accounting principles which, except for the retroactive change, with which we concur, in the method of accounting for the lease-purchase agreements explained in note 2, were applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
April 8, 1976


Thorne Riddell & Co.

Thorne Riddell & Co.
Chartered Accountants

Consolidated Statement of Income and Retained Earnings

Year ended December 31, 1975

	1975	1974
Revenue		(Note 2)
Sales and operating	\$47,689,000	\$35,597,000
Expenses		
Cost of sales and operating	37,523,000	29,101,000
Selling, general and administrative	4,847,000	2,186,000
Depreciation and amortization	2,309,000	1,904,000
Interest on long-term debt	2,116,000	1,311,000
Other interest	372,000	360,000
Amortization of deferred charges	49,000	—
	<u>47,216,000</u>	<u>34,862,000</u>
Income from operations before income taxes	473,000	735,000
Income taxes (note 9)		
Current	223,000	77,000
Deferred	152,000	414,000
	<u>375,000</u>	<u>491,000</u>
Income from operations before the following	98,000	244,000
Equity in earnings (loss) of long-term investments	(24,000)	248,000
Gain on disposition of vessels and equipment, less related deferred income taxes of \$224,000 (1974 — \$21,000)	<u>550,000</u>	<u>31,000</u>
Income before extraordinary credits	624,000	523,000
Extraordinary credits (note 12)	46,000	412,000
Net income for the year	670,000	935,000
Retained earnings at beginning of year	1,672,000	737,000
Retained earnings at end of year	<u>\$ 2,342,000</u>	<u>\$ 1,672,000</u>
Earnings per common share		
Before extraordinary credits	\$0.26	\$0.26
Extraordinary credits	0.02	0.21
Net income for the year	<u>\$0.28</u>	<u>\$0.47</u>

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1975

	1975	1974 (Note 2)
Working capital derived from		
Operations	\$2,611,000	\$ 2,562,000
Issue of first mortgage bonds less deferred financing costs of \$160,000 and retirement of other long-term debt of \$4,989,000	—	8,851,000
Disposition of fixed assets	1,328,000	236,000
Acquisition of interest in subsidiary companies (note 3)	994,000	—
Extraordinary credits	—	103,000
Decrease in investments and non-current receivables	—	68,000
	<u>4,933,000</u>	<u>11,820,000</u>
Working capital applied to		
Purchase and construction of fixed assets	3,916,000	3,325,000
Less		
Related long-term borrowing	25,000	295,000
Proceeds from sale of fixed assets	325,000	300,000
	<u>3,566,000</u>	<u>2,730,000</u>
Long-term debt repaid and currently maturing	1,627,000	1,391,000
Increase in deferred charges	110,000	—
Acquisition of interest in subsidiary companies	—	667,000
Increase in investments and non-current receivables	149,000	—
	<u>5,452,000</u>	<u>4,788,000</u>
(Decrease) Increase in working capital	<u>(519,000)</u>	<u>7,032,000</u>
Working capital (deficiency) at beginning of year		
As previously reported	1,156,000	(6,011,000)
Retroactive adjustment of accounting practice (note 2)	<u>(521,000)</u>	<u>(386,000)</u>
As restated	<u>635,000</u>	<u>(6,397,000)</u>
Working capital at end of year	<u>\$ 116,000</u>	<u>\$ 635,000</u>

Notes to Consolidated Financial Statements

Year ended December 31, 1975

1 Significant accounting policies**Principles of consolidation**

The consolidated financial statements include the accounts of the company and all of its subsidiaries. The excess of the cost of the investments in subsidiary companies over the underlying book value at the dates of acquisition has been attributed to tangible assets and gravel rights and is depreciated and amortized on the basis set out below.

Long-term investments (note 5)

The investments in effectively controlled companies and joint ventures are accounted for on the equity basis whereby the company's share of earnings or losses are reflected in the accounts of the company.

The remaining investments, representing long-term projects in the development stage, are carried at cost.

Inventories (note 4)

Materials and supplies are valued at the lower of laid-down cost and replacement cost. Work-in-progress, the revenue for which is recognized on a completed contract basis, is valued at the lower of cost and net realizable value less progress billings. Manufactured goods and merchandise for sale are valued at the lower of cost (average cost or first-in, first-out) and net realizable value. Rental equipment is valued at the lower of cost and net realizable value.

Deferred charges (note 7)

These are amortized as follows:

Financing costs — on a straight-line basis over the term of the bonds; Start-up costs — on a straight-line basis over five years.

Deferred income taxes

The company follows the practice of charging earnings with income taxes related to these earnings with the result that differences between these taxes and taxes currently payable for the year are reflected as deferred income taxes.

Depreciation and amortization

Depreciation is provided on a straight-line basis to amortize the cost of fixed assets over the following estimates of useful life:

Vessels — from 7 to 20 years after giving consideration to the anticipated residual value;

Plant — from 10 to 20 years for buildings, and from 5 to 21 years for leasehold improvements;

Equipment — from 7 to 10 years.

The gravel rights are amortized over the useful life of the related lease.

2 Change in accounting practice

Certain vessels which the company is acquiring under lease-purchase contracts are chartered to Arcnav Marine Limited (Arcnav) on long-term contracts for use by that joint venture company in its Arctic activities. In 1973 and 1974 appropriate portions of the lease payments paid by RivTow were treated in the financial statements as prepaid and deferred expenses pending receipt of the related charter revenue from Arcnav; in 1975 the accounting practice has

been changed retroactively to recognize the purchase of the vessels with the result that the cost of the vessels is capitalized, regular depreciation is provided and the full liability under the lease-purchase contracts is recorded.

This change in practice has no significant effect on the net income previously reported and reduces the net income for 1975 by \$27,000.

3 Amalgamation and business acquisitions

(a) On January 2, 1975 RivTow Straits Limited (RivTow) and Whitier Investments Ltd. (Whitier), a holding company for several companies, principally West Coast Salvage & Contracting Co. Limited and Purves Ritchie Limited, were amalgamated pursuant to the provisions of the Companies Act of British Columbia. The amalgamated company adopted the name "RivTow Straits Limited".

(c) The net assets of the above acquisitions, accounted for on a purchase basis, are as follows:

	Bute	Whitier	Total
Working capital	\$167,000	\$ 885,000	\$1,052,000
Fixed and other assets	648,000	2,626,000	3,274,000
	<u>815,000</u>	<u>3,511,000</u>	<u>4,326,000</u>
Less			
Long-term debt	208,000	1,374,000	1,582,000
Deferred income taxes	57,000	537,000	594,000
Advances and increases in equity to December 31, 1974	135,000	—	135,000
	<u>400,000</u>	<u>1,911,000</u>	<u>2,311,000</u>
Assets acquired, net	<u>415,000</u>	<u>1,600,000</u>	<u>2,015,000</u>

The consideration for these assets was as follows:

Cash	18,000	40,000	58,000
Issue of long-term debt	231,000	—	231,000
Shares in RivTow Straits Limited (390,000 at \$4.00 each)	—	1,560,000	1,560,000
Previous investment in shares	166,000	—	166,000
	<u>\$415,000</u>	<u>\$1,600,000</u>	<u>\$2,015,000</u>

4 Inventories

	1975	1974
Materials and supplies	\$1,028,000	\$ 850,000
Work-in-progress less progress billings of \$411,000 (1974 — \$1,362,000)	606,000	341,000
Manufactured goods and merchandise for sale	2,973,000	234,000
Rental equipment	819,000	—
	<u>\$5,426,000</u>	<u>\$1,425,000</u>

The 1975 figures include the inventory of the newly acquired West Coast - Purves Ritchie Group aggregating \$3,582,000.

5 Long-term investments

Investment in joint ventures and effectively controlled companies

Shares, at cost plus increase in equity from dates of acquisition
Advances

	1975	1974
Shares, at cost plus increase in equity from dates of acquisition	\$211,000	\$455,000
Advances	115,000	177,000
	<u>326,000</u>	<u>632,000</u>

Investment in other companies, at cost

Shares
Advances

Shares	27,000	22,000
Advances	288,000	161,000
	<u>315,000</u>	<u>183,000</u>
	<u>\$641,000</u>	<u>\$815,000</u>

6 Fixed assets

On the formation of RivTow Straits Limited in 1970, the vessels and most of the lands were valued at amounts approximating appraisals less allowances for the fact that such vessel values were not fully deductible for income tax purposes. All additions

subsequent to the dates of appraisal are recorded at cost. The leases are of varying terms up to 20 years. Customarily, they are extended upon application by the lessee and consequently are considered to have a perpetual life.

9 Income taxes

The company's tax rate is effected by:

- (i) losses of approximately \$130,000 (1974 - \$104,000) incurred in subsidiary companies for which no recognition has been made of the future income tax benefits, and
- (ii) legal expenditures, amortization of fixed and other assets, and other allowances which are not deductible for income tax purposes in the aggregate of approximately \$189,000 (1974 - \$66,000).

Certain of the companies have unutilized losses for income taxes aggregating \$542,000 and these will be available as deductions from taxable income as follows: 1977 - \$70,000; 1978 - \$340,000; 1979 - \$45,000; 1980 - \$87,000. In certain subsidiaries capital cost for income tax purposes exceeds the net book value of fixed assets by approximately \$220,000. The future tax benefits of these items have not been recognized in the accounts.

7 Deferred charges

Financing costs

Start-up costs relating to new business activities

	1975	1974
	\$249,000	\$160,000
	59,000	88,000
	<u>\$308,000</u>	<u>\$248,000</u>

8 Long-term debt

First mortgage bonds (note 10)

Series A with an interest rate varying from 12.5% to 13% due December 1, 1984

Series B 13.1% due December 23, 1984

Other loans

Bank loans, payable \$13,000 monthly with interest at prime plus 2%

Capitalized lease obligations payable in five equal annual instalments to January 1978 (note 2)

Other loans, notes, mortgages and agreements payable

Less principal instalments due within one year included in current liabilities

	1975	1974
	\$ 7,570,000	\$ 8,000,000
	5,700,000	6,000,000
	<u>1,298,000</u>	—
	942,000	1,194,000
	<u>1,397,000</u>	<u>1,009,000</u>
	<u>16,907,000</u>	<u>16,203,000</u>
	1,702,000	1,208,000
	<u>\$15,205,000</u>	<u>\$14,995,000</u>

The Series A and Series B first mortgage bonds (the "Bonds") which rank pari passu with one another, were issued by RivTow Straits Limited and twelve of its subsidiary companies (and guaranteed by ten additional subsidiary companies) to two lending institutions pursuant to the terms of two loan and pledge agreements both made as of July 2, 1974 and a deed of trust and mortgage (the "trust deed"). Pursuant to the terms of the trust deed, the bonds are secured by certain first, fixed and specific mortgages, pledges and charges created by the trust deed on the lands, leases of land, vessels, shares and other assets and by a

general floating charge on all assets of the companies which issued the bonds. The terms of repayment require monthly instalments of principal and interest with periodic increases in principal.

The companies are required to comply with certain restrictive covenants as set out in the loan and pledge agreements and the trust deed.

Principal instalments due within the next five years are as follows:

1976	\$1,702,000
1977	1,523,000
1978	1,841,000
1979	1,659,000
1980	1,637,000

10 Subsequent event

The company, on April 8, 1976, issued an additional \$10,000,000 Series C, D and E First Mortgage Bonds with interest rates that fluctuate in accordance with the prime bank and commercial paper lending rates. At the date of issue the interest rates were 12 1/2 %. The proceeds of the bonds will be used to retire the Series "B" bonds, acquire additional fixed assets and augment working capital. The terms provide for repayment of the bonds, commencing in 1977, over seven and eight years.

11 Anti-inflation program

With effect from October 14, 1975 the company and its subsidiaries are subject to mandatory compliance with the Anti-Inflation Act which places restrictions on prices, profits, employees' compensation and dividends. The company believes that the Act will not affect the 1975 earnings.

12 Extraordinary credits

	1975	1974
Gain on sale of land, less related deferred income taxes of \$13,000 (1974 - \$90,000)	\$46,000	\$289,000
Reduction of income taxes arising from the application of prior years' losses	—	62,000
Other less related income taxes of \$21,000	—	61,000
	\$46,000	\$412,000

13 Commitments and contingent liabilities

(a) The company has commitments in respect of bare-boat charters and long-term leases for vessels and equipment as follows (excluding commitments in respect of the vessels chartered to Arcnav, recorded as a liability, note 2):

1976	\$543,000
1977	473,000
1978	284,000
1979	214,000
1980	204,000
After 1980	633,000

The majority of the leases contain an option to purchase the vessels or equipment at varying amounts during the term of the lease.

(b) A gravel rights agreement requires the payment of a minimum royalty of \$30,000 per year for the next 30 years. In 1975, royalties based on sales exceeded the annual minimum.

(c) The company has guaranteed bank loans, commitments and long-term debt of the joint venture company, Arcnav, amounting to \$1,515,000 at December 31, 1975.

14 Other statutory information

(a) The balance of a term loan, made in a prior year and repayable by annual instalments, to a company controlled by a director amounted to \$46,000 at December 31, 1975 (1974 - \$54,000). As a condition of the loan, the company is assured of continued access to marine and dock facilities at nominal cost.

(b) The remuneration paid to five senior officers of the parent company, as defined by the Companies Act of British Columbia (three of whom were also directors) amounted to \$212,000 (1974 - \$184,000). The officers receive no remuneration in their capacity as directors. Remuneration paid to the five remaining directors in their capacity as directors amounted to \$9,000 (1974 - \$6,000).

15 Subsidiary companies

The subsidiary and partially-owned companies at December 31, 1975, after giving effect to the amalgamation of certain subsidiary companies, were as follows:

Operating

Armour Salvage (1949) Ltd.
Avalon Log Sorting Ltd.
B.C. Marine Shipbuilders Limited
B.C. Marine Shipbuilders (1975) Ltd.
Bute Towing Ltd.
Great West Towing & Salvage Ltd.
Long Bay Sorting Ltd.
M. & M. Log Sorting Co. Ltd.
M.R. Cliff Tugboat Co. Ltd.
Pacific Rim Ready-Mix Ltd.
Point Grey Towing Ltd.
Premier Sand & Gravel Company Limited
Purves Ritchie Limited
Purves Ritchie Sales Ltd.
Regent Towing Ltd.
Richmond Tug Boat Co. Ltd.
RivTow Marine Ltd.
Sechelt Sand & Gravel Company Ltd.

Straits Towing Limited
Tilbury Island Terminals Ltd.
Twin Harbour Towing Ltd.
Viking Tugboat Co. Ltd.
West Coast Salvage & Contracting Co. Limited
The West Coast - Purves Ritchie Company, a wholly-owned partnership

Non-operating

Harbun Investments Ltd.
River Towing Company Limited

Partially-owned companies

Operating

Arcnav Marine Limited
Dumac Holdings Limited
Marine Leasing Ltd.

Non-operating

Arctic Navigation and Transportation Company Ltd.
Rivport Terminals Ltd.
Seaway Estates Ltd.

LOCATIONS OF RIVTOW OPERATIONS

